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POLR: A SAFETY NET FOR ELECTRICITY CUSTOMERS IN TEXAS

The electricity markets in Texas are based largely on a model of market competition, with individual companies generating power, others transmitting and still others, known as retail electric providers (aka REPs) licensed to sell it directly to customers.

In order to ensure the reliability of the state's electric grid, each of those market participants must meet certain standards of technical and fiscal soundness. When a REP fails to meet those standards for fiscal strength, ERCOT, the entity responsible for everyday management of grid reliability, initiates a rapidly-moving process that gives the failing REP a chance to a) find additional funding or b) sell its book of business (its clients).

If those two efforts fail, ERCOT will then move quickly to transition customers onto the safety net composed of other REPs known as Providers of Last Resort (POLR, pronounced "polar.")

These competing companies are allowed to set their rates based on ERCOT market prices, which might be higher than the rates they were paying before their electric provider exited the market. As a result, the Commission encourages POLR customers to contact their new REP directly to discuss other plan options.

They can also shop the retail electricity market, using our website, PowerToChoose.org. There, customers can enter their selection criteria and choose a power plan that may offer more favorable rates and better suit their situation.

Customers transitioned to a POLR are free to move to other retail electric providers without paying an early termination fee. If they have complaints, customers are encouraged to call the PUC's Consumer Hotline at 888-782-8477.

Whether you've just been transferred to a Provider of Last Resort (POLR) or are simply curious about the role of POLR, we want you to be informed about this safety net built into the Texas electricity market and encourage next steps to help you minimize the impact of this change.

The following Q&A should answer most of your questions.

Q: How does such a closure impact customers?

A: When a retail electric provider defaults in this fashion, their customers are transitioned to one or more retail electric providers known as Providers of Last Resort (or POLR, pronounced “polar”). Because these retail electric providers are allowed to set their rates based on the ERCOT market prices, the customers may be exposed to higher prices in the absence of a contract. We encourage customers to talk to the POLR provider to see if a lower rate plan is available or the customer can visit www.PowerToChoose.org to find a retail electric provider with a lower rate plan.

Q: What happens to the customers?

A: Affected customers are free to move to other retail electric providers who may offer more favorable rates and contracts without paying the POLR an early termination fee. These customers can visit PowerToChoose.org, enter their selection criteria, and choose a power plan that suits their situation. If they have complaints, customers are encouraged to call the PUC’s Consumer Hotline at 888-782-8477.

Q: Will their electricity be cut off?

A: Customers’ electric will not be cut off during a transition to a POLR providers.

Q: Are they arbitrarily reassigned to another electric company, or do they have options?

A: Initially, customers are randomly assigned to a POLR provider, but they are free to shop for a plan that better suits their needs and avoid the potential rate increase.

Q: How does an electric utility fail?

A: Retail Electric Providers must meet a variety of obligations to remain in business, including sufficient collateral to transact in the wholesale market. Companies unable to meet those commitment levels can end up in default within three working days.

Q: What are the warning signs for customers?

A: Typically there are no advance communications to customer that a REP is in danger of default. However, the transition decision, once made, moves quickly to ensure customers can keep their lights on as they search for a suitable plan.

Q: What else do customers of this and other electric companies need to know at this point in time?

A: The most important thing any customer in a competitive market area like Houston or Dallas, for example, should know is that they have a choice when it comes to how they power their homes and businesses. Retail electric providers are competing to win and keep their business, so consumers can exercise choice to keep the lights on and the price of electricity at a manageable level. Again, if they’ve been assigned to a POLR, the Commission encourages customers to visit www.PowerToChoose.org to find a plan that suits their life.



Q: How is the POLR rate calculated?

A: As competitive businesses, each of the POLR entities are free to set a rate up to the market-based cap, but the POLRs are free to charge less and many choose to do so. In that regard, we couldn't estimate an average.

Q: So those customers who are switched to the POLR can switch away as soon as they choose another provider, right?

A: That is correct and they can do so without early termination fees.

Q: To whom might I address any additional questions?

A: You can call the PUC directly at 888-782-8477.

